

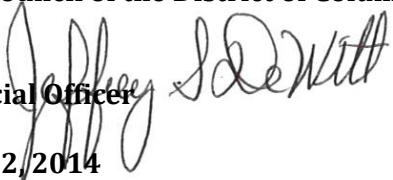
Government of the District of Columbia  
Office of the Chief Financial Officer



**Jeff DeWitt**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeff DeWitt  
Chief Financial Officer 

**DATE:** November 12, 2014

**SUBJECT:** Fiscal Impact Statement – “Trash Compactor Tax Incentive Act of 2014”

**REFERENCE:** Bill 20-81, Draft Committee Print as shared with the Office of Revenue Analysis on November 10, 2014

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**Conclusion**

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the provisions of the bill. The bill will reduce sales tax revenue by approximately \$200,000. It will also require \$2 million in grant funds that are currently not in the District’s budget and financial plan.

Implementation of both of the provisions in the bill is subject to inclusion in an approved budget and financial plan.

**Background**

The bill provides a one-time 120-day sales tax exemption on the sales and installation charges for commercial trash compactors. It also establishes a program that would provide grants of up to \$9,000 for leased compactors or up to \$13,500 for purchased compactors. The Mayor would administer the program and distribute grants in the order in which the applications are received. The grant program is capped at \$2 million annually.

**Financial Plan Impact**

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

In the District, the potential market for commercial trash compactors includes approximately 3,300 commercial buildings. The Office of Revenue Analysis estimates that a sales tax exemption could save commercial entities up to \$1,300 in purchase and installation costs. A grant program that supports the cost of commercial compactors, if implemented simultaneously, could entice up to 150

The Honorable Phil Mendelson

FIS: Bill 20-81, "Trash Compactor Tax Incentive Act of 2014," Draft Committee Print shared with the Office of Revenue Analysis on November 10, 2014

entities to take advantage of the tax incentive at the beginning. Eventually, a \$2 million program could support up to 200 applicants per year.

The table below outlines the fiscal impact of the bill.

Estimated Fiscal Impact of Bill 20-81, Trash Compactor Tax Incentive Act of 2014					
	FY 2015	FY 2016	FY 2017	FY 2018	4-Year Total
Sales Tax Holiday	\$198,000 <sup>1</sup>	\$0	\$0	\$0	\$198,000
Grant Program	\$2,000,000 <sup>2</sup>	\$2,000,000	\$2,000,000	\$2,000,000	\$8,000,000
Total Fiscal impact	\$2,198,000	\$2,000,000	\$2,000,000	\$2,000,000	\$8,198,000

Table Notes:

<sup>1</sup> Estimate assumes that 150 commercial entities (or combinations of commercial entities) will take advantage of the 120-day sales tax holiday. It also uses a base purchase and installation price of \$20,000.

<sup>2</sup> Assuming an average grant of \$10,000, the program could support up to 200 businesses per year.